

## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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SOURCE:

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1. In early May 1953 all export-import firms in Communist China were under the control of Chinese Communist customs houses. Exchange of information among the scattered customs houses was resulting in uniform pricing for foreign products, widespread knowledge of the activities of any given firm, and widespread understanding of mainland business problems.
  2. Business firms were being obliged by the Communist authorities to earn their own foreign exchange. A firm was not granted an import license unless it was able to export, and if it had concluded an export contract, it was able to obtain a loan from the Bank of China to purchase commodities for export. Upon receipt of a letter of credit from a foreign bank, the Bank of China would transfer the loan to the firms holding the credit account. After the firm exported the cargo, foreign exchange could be used for approved imports. However, private business firms in Communist China were suffering a possible 50 to 60 percent loss on exports and earning profits of from 40 to 100 percent on imports. For this reason, and because import cargoes required five to eight months to arrive on the mainland, no merchant was able to operate without the assistance of a government bank.
  3. Mainland business firms were able to obtain loans only from the Bank of China and were required to maintain current accounts with the Bank. Within

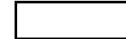
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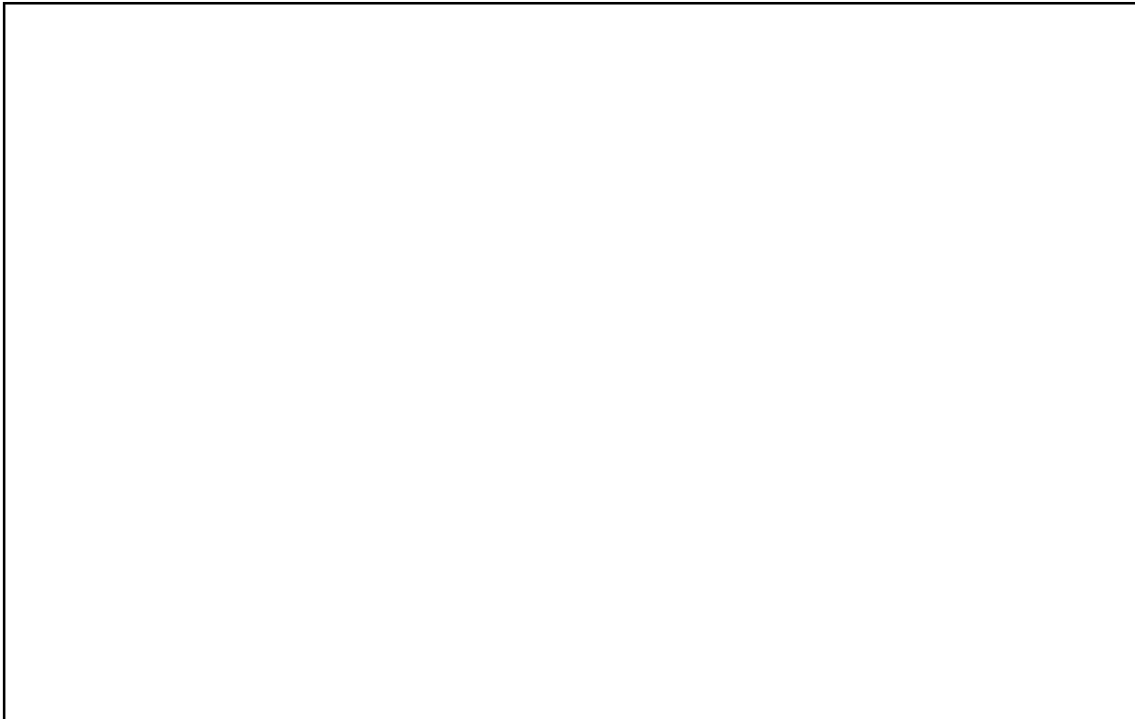


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the Bank of China, one employee was designated to supervise the accounts of approximately ten specific firms. This system enabled the Government to monitor continuously and in detail the accounts of each firm.

4. In early May mainland sellers to Chinese Communist government organizations were being required to sign quality and quantity guarantees even after their cargoes had been delivered to and stored in the godowns of a government organization. Months after a cargo had been placed in government godowns, the government was permitted to make claims upon the supplier if the cargo was considered deficient in quantity or quality. Although goods stored in damp government godowns might deteriorate, the supplier was liable if the government introduced a claim for defective quality.
5. Chinese Communist trade regulations were subject to change without notice. Official written permission from the Chinese Communist authorities could be rescinded by telephone instructions ordering cancellation of permission and return of the written permission to the government. Permission to export a particular cargo could be rescinded by the government after the cargo was sold either by making the cargo unavailable or by prohibiting export.

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